

# Consolidated Investment Report

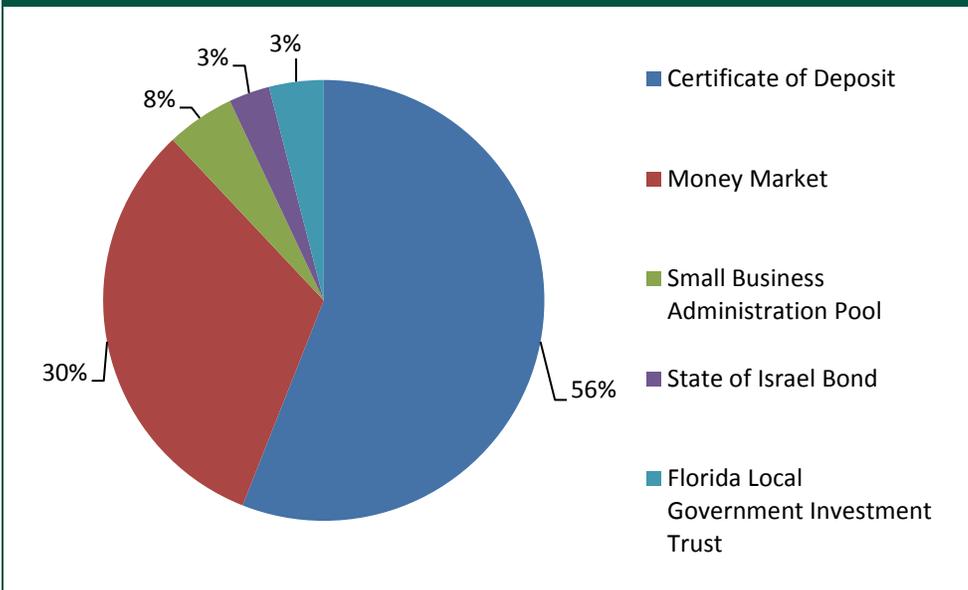
November 2017



As Palm Beach County's Chief Financial Officer, the Clerk & Comptroller is charged with safeguarding and investing all County funds. The Clerk's management of the fixed income portfolio is in accordance with regulations set forth in Palm Beach County's Investment Policy. The County Investment Policy is very specific in terms of its stated investment objectives. The primary objective of the policy is to prevent any loss of principal and, secondarily, to meet the County's expenditures. After meeting these two objectives, the Clerk actively seeks opportunities to maximize investment income.

**SHARON R. BOCK**  
Clerk & Comptroller  
Palm Beach County

## Portfolio Allocation November 30, 2017



## Performance

### Total Return

Fiscal Year to Date	0.27%
Prior Month	0.13%
Prior Quarter	0.43%
Prior Year	1.61%*
Prior 3 Years	1.63%*
Prior 5 Years	1.12%*
Prior 8 Years	2.00%*
*figures annualized	

## Portfolio Statistics

	November '17	October '17	September '17	August '17	July '17	June '17
Month-end Market Value	\$1,597,938,393.57	\$1,478,410,347.93	\$1,563,767,157.11	\$1,601,366,521.31	\$1,674,357,988.49	\$1,719,934,012.24
Book Value	\$1,582,853,075.09	\$1,463,303,012.57	\$1,548,483,462.92	\$1,585,102,219.48	\$1,658,033,005.48	\$1,703,390,548.28
Unrealized Gain/Loss	\$15,085,318.47	\$15,107,335.36	\$15,277,694.19	\$16,264,301.83	\$16,324,983.01	\$16,543,463.96
Book Yield	1.801%	1.841%	1.799%	1.789%	1.739%	1.714%
Market Yield	1.799%	1.846%	1.639%	1.779%	1.754%	1.736%
Effective Duration	1.31 years	1.16 years	1.001 years	0.89 years	0.78 years	0.65 years
Convexity	0.663	0.701	0.609	0.483	0.410	0.362
Average Credit Rating	AA+/Aa1/AA+	AA/Aa2/AA	AA+/Aa1/AA+	AA/Aa2/AA	AA/Aa2/AA	AA/Aa2/AA+

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Portfolio Income						
	November '17	October '17	September '17	August '17	July '17	June '17
Interest Income (FYTD)	\$4,557,431.16	\$2,339,761.25	\$26,338,131.73	\$24,028,973.03	\$21,656,049.99	\$19,343,387.18
Investment Income (FYTD)	\$3,862,019.73	\$1,987,149.48	\$27,844,315.19	\$25,624,527.89	\$22,973,958.12	\$20,499,344.21
Interest Income (current month)	\$2,277,651.69	\$2,339,761.25	\$2,257,126.58	\$2,312,323.26	\$2,312,662.81	\$2,651,394.17

## November 2017 Economic Overview

Long term Treasury bond yields and short term interest rates rose in November on expectations for gradual Fed rate hikes and an eventual rise in inflation. The 10-year Treasury note yield rose to 2.41% on November 30 vs. October's month-end close of 2.38%. The 2-year Treasury note yield increased to 1.78% vs. 1.60% at October's month-end close. The stock market rose on the outlook for continued moderate economic growth and increasing earnings. The Dow Jones Industrial Average rose to 24,272 at the end of November vs. 23,377 at the end of October.

### Consumers:

Consumers remained confident, the labor market data suggested continued tightening, and disposable personal incomes increased. The Conference Board's consumer confidence index improved to a new 17-year high while the University of Michigan's consumer confidence index was the second highest since 2004. Monthly hiring numbers exceeded forecasts, after adding in revisions, and the unemployment rate hit a 17-year low of 4.1%. However, wage gains remained modest. Spending was weaker than expected in October but disposable income rose and the savings rate increased. The economic numbers reflected the improving financial condition of the consumer. October's auto sales continued to benefit from storm replacements and capped the two best sales months since 2005.

### Business:

Business investment in equipment was revised up to its best level since 2014 and ISM indices remained strong. The Non-Manufacturing ISM index hit a new cycle high in October. Manufacturing production in October jumped by the most in 8 years as the recovery from the hurricanes continued.



## **International:**

The advance goods trade report showed a wider deficit for October, a weaker start for the fourth quarter. Trade was positive for economic growth in the third quarter after the first GDP revisions.

## **Inflation:**

Inflation increased slightly in October. The y/y Core (ex-food & energy) Consumer Price Index rate increased to 1.8% after staying at the 1.7% annual level for five consecutive months. The Core Personal Consumption Expenditure Deflator (the Fed's preferred inflation measure) rose for the third straight month, the longest run since 2009, and the y/y rate increased to 1.4%. That is still below the Fed's target of 2.00%.

## **Housing:**

Housing was the only sector that subtracted from third quarter economic growth, but signs were positive in October. All of the key housing reports released in November (for October) topped estimates; new home sales hit a 10-year high. The strength occurred despite home prices continuing to rise above 6% year over year which exceeded average hourly earnings gains of 2.4% y/y in October.

## **Monetary Policy:**

The Fed is still on track for a rate hike on December 13, 2017. Global economic data remained solid and faster possible growth from tax cuts and deregulation tilt the Fed toward another rate increase this year. The Fed's November statement said the economy was "rising moderately" vs. the prior statement which said that the economy was "rising at a solid rate." The November Fed minutes showed that many expected a near-term rate increase but were divided on the outlook for inflation.

## **Bottom Line:**

Current long term financial market trends: higher bond yields, higher short term interest rates, and higher stock prices. Market trends seem to imply moderate economic growth with contained inflation. In this economic environment, the Federal Reserve seems likely to gradually increase rates until the economy tips into recession.



# U.S. Treasury Yield Curve

